



CONNECTICUT REALTORS®

111 Founders Plaza, Suite 1600 ▪ East Hartford, CT 06108

Tel: (860) 290-6601 ▪ ctrealtors.com

Statement on

SB 4

AN ACT CONCERNING
CONNECTICUT'S PRESENT AND FUTURE HOUSING NEEDS

OPPOSE AND SUPPORT CERTAIN SECTIONS

Submitted to the Housing Committee

By Connecticut REALTORS®

February 28, 2023

Connecticut REALTORS® (CTR) submits testimony related to **SB 4, AN ACT CONCERNING CONNECTICUT'S PRESENT AND FUTURE HOUSING NEEDS**. CTR represents over 20,000 members involved in all aspects of real estate in Connecticut. CTR members work with tens of thousands of buyers, sellers, landlords and tenants annually.

SB 4 stated purpose is to promote equitable housing opportunities in every community in the state.

CTR understands there is a crucial need for housing units in Connecticut. More restrictions placed on landlords will make it even harder for potential tenants to even be considered for an apartment without perfect credit and background. This bill could potentially have the opposite effect of its intentions.

Section 1 (Oppose) - provides for a rent cap and new financial penalties for landlords related to rent caps. Connecticut is in a housing crisis, with a significant need for housing units throughout the state. Housing is not created when there are threats of anticipated increased financial risk – including rent control, rent caps and eviction mandates. Housing related expenses can regularly increase significantly, including but not limited to insurance rates, property taxes, flood insurance, along with potentially costly repairs and maintenance. Property owners may sell a unit or choose to not build rather than take the financial risk.

A significant amount of rental real estate in Connecticut is small landlord ownership. It could be the second half of an owner-occupied duplex, utilizing a family property for an interim time period, or a small investment property used to supplement the retirement income of the owner. These individuals are hit the hardest by rent

controls or caps. This occurs when they are often just trying to survive themselves and pay their own real estate costs such as a mortgage through these rentals.

Landlords who may otherwise increase rents minimally each year could find this proposal paves the way for the need to have annual fee increases up to the maximum permitted by law, if only to not miss opportunities to collect more rent. This action will be a disadvantage to tenants who hope to have no increases over the first years of their tenancy.

CTR is also concerned as to the definition of a public health emergency and how long it can be applied.

Section 4 (Oppose) which provides a four-month automatic delay in eviction proceeding. It is not reasonable to prohibit evictions for four months of the year. A tenant will often stop paying a landlord when there are government-provided waiver of payment or penalty, as was found during the pandemic. This bill does not provide funds to compensate landlords for those considerable losses for each tenant who adopts a no-pay preference during such delay of eviction proceedings.

This action would be problematic for properties sold during that time period as it could stop or delay a sale.

Additionally, an unintended consequence will be landlords will avoid starting rentals in the December – March period which will impact the availability of rental units in that time period.

Section 6 (Oppose) provides a tenant's belongings cannot be moved four months during the year. A tenant may have already moved out leaving belongings behind and now the landlord cannot remove those belongings. What if the property is sold in that time-period or the landlord wishes to rent that non-occupied unit to a paying tenant? A delay in the new rental would occur.

Section 7 (Oppose) relates to tenant screening and stopping certain fees related to the administrative time it takes for employees or landlords to administer the tenant screening process. It is unreasonable to believe a tenant who does not get a unit is then going to pay for said report after it has been conducted.

Any legitimate administrative cost directly related to acquiring tenants cannot be charged in advance and still must come from somewhere. The most likely source will be increased monthly rental costs. If the goal is to maintain rental costs, this proposal will not achieve its objective. This proposal will result in higher rents as the costs associated with screening all tenants will become the burden of the new individual or family who rents that unit. Finally, if tenants cannot be vetted, they will not be considered. This proposal is very likely to have the opposite effect of what is intended.

Limitations on late fees of no more than a maximum of \$25 no matter how many months of non-payment or how many months late is the equivalent of having no late fee. There is no incentive to pay on time or for many months as the bar becomes nearly non-existent for a tenant rent payment.

In addition, requiring a payment to apply to the most recent arrears is contrary to how payment system may work. The state should not dictate how payments are applied to overdue payment accounts. The tenant's credit report is going to fall the longer a payment delays.

Section 13 (Oppose) seeks to define "workforce housing" with a wide variety of rental restrictions. This section is going to strongly impact the creation of workforce housing. Such deed-restricted or limiting proposals add extensive development cost and burdens on housing creation. For example, if it costs \$400,000 per unit to construct a deed-restricted development, then the total number of units to expect with \$200M is approximately 500. This action in no way utilizes the funds for the greatest opportunity for increased housing units that private developers receiving incentives or grants towards development could provide to housing creation.

There needs to also be awareness than when there is a mandate to have limitations on rent for a certain percentage of units, that money must come from somewhere. Funds will either need to be paid to the developer upfront as a lost income source or absorbed by other tenants making their rental significantly more expensive than it may otherwise need to be as they subsidize the rents of other units.

Section 14, 15 and 16 (Support with Amendments) seeks to provide incentives for the creation of workforce housing units. CTR opposes the definition of "workforce development" with layered restrictions that cannot be known for years if accomplished and increases the costs to create. The amendments CTR is suggesting are to change the definition of workforce housing to solely exclude 55+ communities and luxury developments. CTR also recommends a potential additional incentive for creation of workforce housing units to be a waiver of a municipality's 830-g requirements for the creation of a certain number of housing units that are not in 55+ communities or luxury developments (such as not larger than a certain size).

Connecticut needs housing units. Any legislated mandate such as those throughout this proposal will cause some percentage to never be built. Developers and property owners need not take the financial risks contemplated by these proposals.

CTR supports financial and tax incentives to developers for creating new units.

CTR would be willing to discuss further specifics of **SB 4** with the members at your convenience. Thank you for your consideration of our concerns related to the proposed legislation before your committee today.